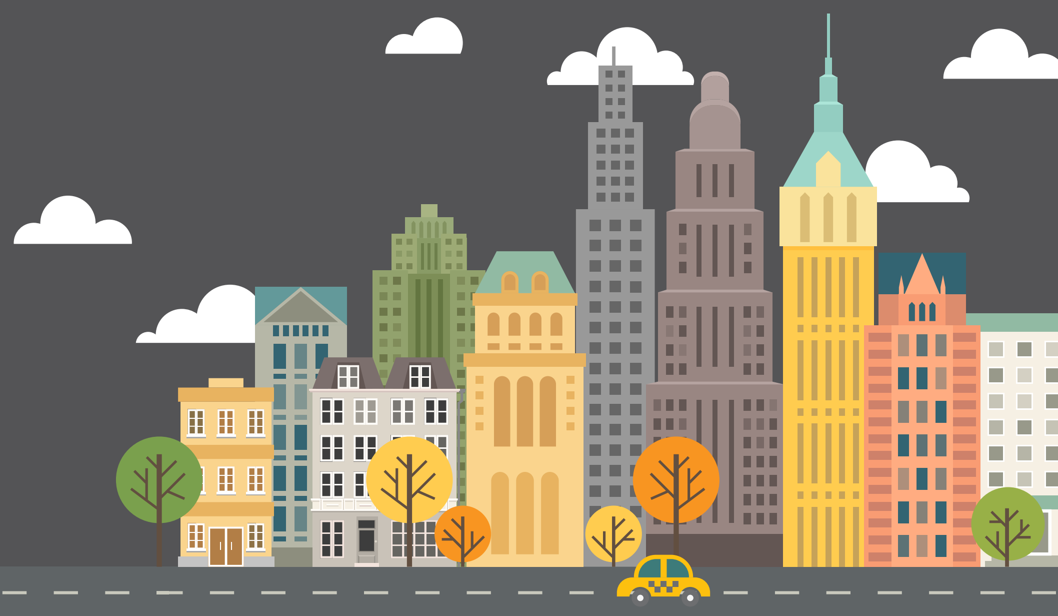
What Every CRE Organization Can Learn from WeWork

WeWork is earning $1B in annual revenue (with a valuation of 17X - 20X that amount) by completely disrupting the Commercial Real Estate industry. With 175,000 individual members in 65 cities across well over 300 locations worldwide (as of spring 2018), this upstart has changed the rules of CRE, and shows no signs of slowing down.

What can CRE organizations learn from WeWork?

Here, the team at Building Engines has unpacked some key lessons to learn from WeWork's success, and strategies for approaching your own roadmap differently to remain competitive.



1. WeWork is both your client and your competition

With their rapid pace of expansion, WeWork is a prospective tenant for most downtown properties and major metros where they'd like to expand their footprint. The company surpassed Google parent Alphabet in 2016 as the country's largest leaser of new office space, according to CoStar Group.

But, in addition to being your potential new client, they've changed the rules of CRE forever. You're now competing against the standards being set by this disruptive firm - which delivers a completely turnkey tenant experience.

"Make no mistake about it, WeWork is coming after everyone's line of business in this room."

- Brad Griewe, Co-founder and Managing Partner at Fifth Wall, recently at an MIT / CRETech event in Boston

The bar has been set higher by this firm, which provides:

- Cleaning services
- Copious amounts of coffee and beer on-tap
- High-speed internet
- Social and networking events
- Modern decor
- Flexible lease terms and office sizes
- Printing nooks
- Unique common areas
- Stocked kitchens
- Onsite staff
- Phone booths
- Cutting edge technology platforms

And much more. WeWork has changed the expectations of what a tenant experience should look like such that tenants will be looking for it if they move elsewhere to rent from a more traditional leasing operation.

2. Large corporate clients seek out the WeWork experience

Perhaps you're thinking, "this doesn't apply to me. I provide real estate to large corporations."

News flash: *It's not just startups leasing their space.*

Large organizations (those with more than 1,000 employees) generated $250M in 2017 for WeWork, leasing coworking space and making up **25%** of their annual revenue. These corporate clients rent huge blocks of desks - even whole floors or whole WeWork locations at a time. What's more, that trend is on the rise, as large businesses comprise **30%** of new monthly revenue for the company. [1]

CBRE found that "**65%** of enterprise companies plan to incorporate coworking into their portfolio offering by 2020."[2]

There are three main drivers for these enterprise clients:

A. The flexible nature of the lease, freeing firms from long-term commitments in the event of market or lines of business uncertainty

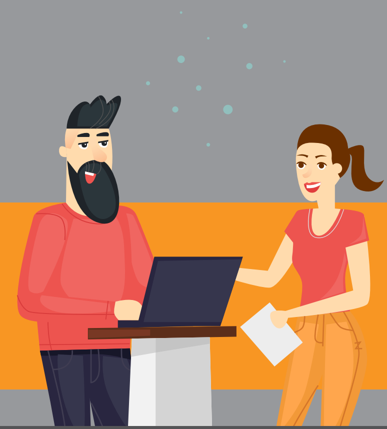
B. The workplace experience WeWork creates and delivers

C. Their technology platform, which underpins this experience

[1] ReCode https://www.recode.net/2017/12/1/16719798/wework-business-250-million-a-year-co-working-corporate-clients

[2] CBRE Enterprises Survey https://liquidspace.com/flexible-office-reports/q3_2017

3. Buildings need community to thrive



One idea gaining traction among tenants and their employees is the view of building as a community. The real power of WeWork is in the network effect of the community they create in their space. For CRE firms, building community will require a skills shift from traditional property management to community and experience management.

Providing connections to your tenants allows them to:

1. Connect to each other directly
2. Create their own events and groups
3. Creatively share resources
4. Support each other's businesses
5. Develop stronger relationships and stay longer

WeWork has made a number of moves in an effort to foster community.

A. Tenants and their employees are referred to as "members." The global WeWork member network is accessible to all members via desktop or mobile, allowing "members [to] tap into the entire community of creators & entrepreneurs."

B. The company purchased "IRL" social network MeetUp. This acquisition was intended to find "new and innovative ways of building community, to create real-world, face-to-face gatherings that allow people to explore, learn, and build relationships, making real community available to everyone" according to Meetup founders.

C. WeWork employs "community leads" which they describe as "integral to the member experience" in its job posting. Their primary focus is hospitality, secondarily sales, and operations.

4. The lease is dying - or at least, changing

The average lifecycle of a Fortune 500 is now 18 years, and expected to shrink further, to 14 years, by 2026. That's down from 33 years in 1965.[3]

This decline means CRE firms must re-think the viability of traditional 10-year leases. WeWork's model thrives on short-term agreements. For less-established organizations (who face a startup failure rate of 90%,) flexible terms offer a choice to grow or decrease operations easily. That same flexibility is becoming a draw for larger organizations as well in an effort to combat uncertainty.

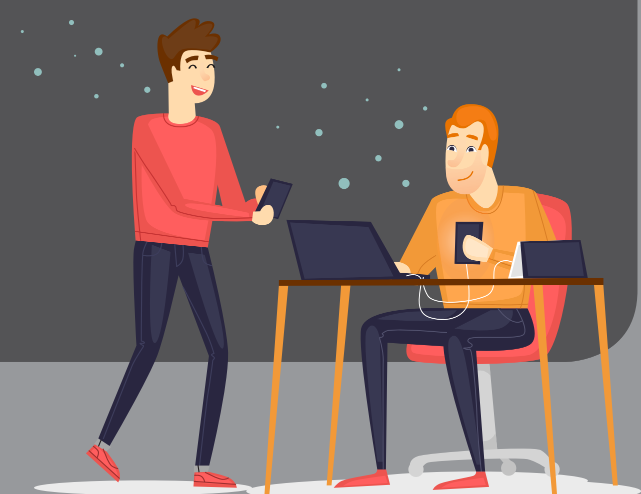
[3] Innosight https://www.innosight.com/insight/corporate-longevity-turbulence-ahead-for-large-organizations/

5. WeWork wins because of personal agency

Each individual member has access to the WeWork app, which gives them the ability to interact with their building at any given time, from anywhere. This foundation of mobile technology is one of the core tenets of the WeWork experience.

If you're to compete directly with this easy-to-use, on-demand mobile experience, you need a way to mimic that personal agency experience. Tenant-facing apps like The Hive™ from Building Engines are used by hundreds of CRE organizations to allow tenants to:

- Receive broadcast messages from building managers
- Capture an image of an issue and submit from mobile
- Instantly rate satisfaction with work orders
- Pre-register visitors and manage visitor watch-lists to increase security
- Filter, review, and approve incoming tenant requests
- Resolve estimates quickly
- Book amenities like loading docks and conference rooms

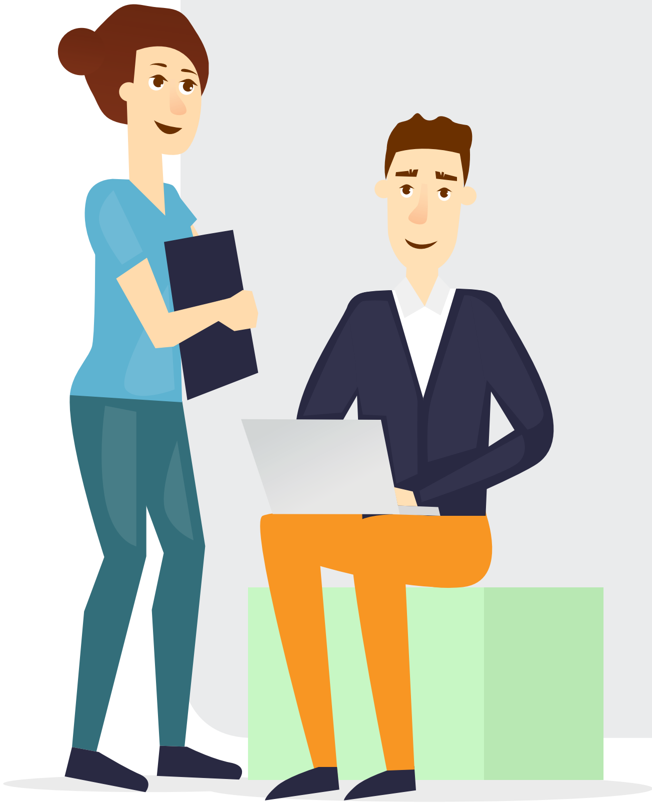


6. Your assets should help tenants attract talent and innovate

Corporations like Barclays, IBM, and Microsoft are partnering with coworking spaces like WeWork to stay on top of technological innovations (as well as the talent that comes along with that innovation.)

The reasons for this are clear, explains Entrepreneur Magazine[4]:

"They want to keep an ear to the ground when it comes to potential disruptions in their industry, and they need to closely monitor potential acquisition targets. Renting space in coworking spaces can help them check all of the boxes: Attract top talent, monitor competition, and find acquisition targets."



[4] Entrepreneur https://www.entrepreneur.com/article/307085

THE ROAD AHEAD.

Companies need to act now to adapt the literally centuries-old paradigm for operating buildings to this new reality. CRE organizations must prioritize an outstanding tenant and building experience to compete with WeWork.

In the fight to attract and retain tenants, you need the right technology platform to manage it all. Building Engines drives performance at thousands of properties across the country, delivering everything you need:

- Tenant service
- Maintenance
- Risk management
- Mobile-driven experiences
- Communications
- Reporting and analytics

Book a quick call with our team today and learn how to compete with WeWork.

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